

84-7095

United States Court of Appeals
FOR THE SECOND CIRCUIT

UNIVERSAL CITY STUDIOS, INC.,

Plaintiff-Appellant,

—against—

NINTENDO CO. LTD., NINTENDO OF AMERICA, INC.,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

REPLY BRIEF FOR PLAINTIFF-APPELLANT

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Preliminary Statement

Appellant, Universal City Studios, Inc. ("Universal"), submits this reply brief in response to the arguments defendants¹ offer in their answering brief as to why the district court's summary dismissal of Universal's claims should not be reversed.

The tone, if not the substance, of Nintendo's response to Universal's opening arguments on this appeal is set by the stress given to the KING KONG unfair competition claims Universal defended in its 1976 declaratory action against RKO

¹ Defendants are referred to herein collectively as "Nintendo." References to Nintendo's brief are cited as "Defts' Br."

General Inc. ("RKO"). In the court below Nintendo made this its principal argument for summary judgment, urging that because Universal had successfully defended a claim by RKO eight years ago alleging that Universal was diluting RKO's rights in its 1933 "King Kong" motion picture by proposing to call a then planned Universal King Kong remake film "King Kong," it was collaterally estopped from suing Nintendo over Donkey Kong in these proceedings. Judge Sweet rejected the argument (A171-75) and Nintendo says (Defts' Br. at 4) that while it disagrees with the lower court it will only press its alternative argument that Universal should be "judicially estopped" from claiming trademark rights in KING KONG because of the earlier California proceeding.

Universal expresses skepticism over whether Nintendo is serious about its "judicial estoppel" claim on this appeal. The point is given a page and a half in appellees' brief and amounts largely to a complaint about how the court below was being overly technical when it rejected the argument on the ground that there was no final determination showing Universal had prevailed on the merits in the prior proceeding.² Of course, Universal believes Judge Sweet was correct in dismissing both the collateral estoppel *and* judicial estoppel defenses. But there were compelling reasons for his doing so besides the fact that the 1976 litigation with RKO did not undergo appellate review and ultimately resulted in a consent judgment unaccompanied by any findings of fact. The court below was well aware that the proponent of the KING KONG unfair competition claim in those proceedings was RKO—not Universal—and Nintendo is guilty of considerable overstatement when it characterizes those proceedings by saying "Universal had won a judicial declaration in California that King Kong could not serve as a trademark against RKO" (Defts' Br. at 4.) Universal's *only* affirmative claim in the 1976 suit against RKO was for a declaratory judgment under the copyright laws, to the effect that because a proper renewal copyright had not been secured

² As discussed *infra*, the district court did *not* make such a finding. It rejected Nintendo's judicial estoppel argument on other grounds.

for the "King Kong" story and magazine serialization, these underlying works had become public domain property, lawfully available for Universal to use as source material for its then planned "King Kong" picture.

RKO responded to Universal's suit with two counterclaims, the second of which alleged that Universal had "slandered" and "called into question" RKO's rights in the 1933 "King Kong" motion picture and had "diluted" RKO's rights in the picture and title. (A1069.) Universal defended against the claim by arguing that (a) it had exclusive rights to produce a "King Kong" remake by virtue of an oral contract with RKO and (b) even if it had no contract there was no likelihood that the public would be confused about the origin of Universal's "King Kong" motion picture because the public did not understand the name KING KONG to denote RKO as the maker of the 1933 "King Kong" picture. It would be correct to say that the issue of KING KONG's significance as a symbol denoting RKO specifically as the source of the 1933 film was the *only* "trademark" issue ever raised in the 1976 litigation—and this as a sub-defense by Universal to a counterclaim on which RKO had the burden of proof. Universal made no trademark claims having to do with KING KONG merchandising rights and Universal did *not* win any judicial declaration that KING KONG could not serve as a trademark. The only findings ever made in the litigation relative to the name KING KONG and its then significance as a symbol linking RKO to the 1933 motion picture were the two sentences contained in Judge Real's "Findings of Fact" on RKO's counterclaim. (A1214.) The first finding (¶ 5) recites "[t]here is no evidence that the title 'King Kong' has a secondary meaning by which the public identifies such title with RKO or the Motion Picture."³ The second states "the name 'King Kong' has become part of the

3 In its brief, Nintendo deletes the words "[t]here is no evidence" from the California court's first finding and then argues to *this* Court that the findings declare that "the King Kong title had not acquired secondary meaning." (Defts' Br. at 17.) This was unfair—and misleading.

ordinary English language.”⁴ In short, Universal did not succeed, as Nintendo claims, in “having the King Kong property declared an unprotectible property” nor is it arguing “the exact opposite in the New York courts as convenience dictates” and “playing fast and loose with the courts.” (Defts’ Br. at 16.) There is a substantial difference between the circumstances in which RKO found itself in 1976 having to argue that Universal was competing unfairly by using the KING KONG name for a motion picture, and meeting the burden which that court imposed on it of showing that the public understood RKO specifically (as opposed to some anonymous source) to be the maker of the original “King Kong” film and the circumstances under which Universal is today here arguing that the name KING KONG is a recognized and valuable symbol for the promotion and sale of products which the public associates with the “King Kong” motion pictures.

In short, it was unfair for Nintendo to suggest (Defts’ Br. at 48 n.24) that Universal is misleading the Court or “playing fast and loose” with the facts about the prior California proceedings. It was also wrong for Nintendo to take a passage from

4 Nintendo argues that Universal introduced “substantial evidence” in those proceedings to show “pervasive, unauthorized third party uses” of KING KONG. (Defts’ Br. at 6.) Again, this is overstatement. Much, if not all of Universal’s evidence of KING KONG “use” had been authorized by RKO. For example, Universal offered advertisements promoting the 1976 “King Kong” movie, which, of course was licensed by RKO. (A1175.) The California court was apparently unaware of this because RKO made no showing regarding its authorization. This was because RKO’s attorney thought the burden was on Universal to demonstrate lack of authorization rather than on RKO to demonstrate authorization for the KING KONG uses. (See A1001-02.)

The precise arguments Universal did make in defending against the RKO claim in that litigation are given in its appellate brief, filed in the Court of Appeals for the Ninth Circuit on RKO’s appeal. (A1006-07.) The reason why the court found that RKO had not put on sufficient evidence of secondary meaning is covered in ¶ 2.b of that argument (A1007) where Universal notes that RKO’s evidence consisted of testimony by one witness whom the lower court rejected as incompetent.

the oral argument below where counsel for Universal was making a point that whether or not KING KONG is part of the English language it can serve as a trademark (A108-09) and quote the argument out of context.⁵ The issue, as counsel for Universal put it, was whether KING KONG did or did not have meaning in the English language could not turn on the arguments offered by Universal in either proceeding. This is because what counts in a trademark case is "what the public believes when it buys that game [*i.e.*, Donkey Kong]."⁶ That is

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- 5 The full quotation of what Universal's counsel *did* argue in the court below (referring to RKO's 1976 KING KONG dilution counterclaim) is as follows (A108-09):

Universal attacked that in the 1976 proceedings, as it had to, because Universal at that point was defending a counterclaim, and Universal came into court and Mr. Kirby is absolutely right when he quotes from Croft as arguing King Kong has no meaning in the English language.

Well, Mr. Croft can make that argument, and I have to make that argument exactly the opposite way today and the Court can believe Mr. Croft or believe me, but it doesn't make much difference, but neither Mr. Croft nor I nor Mr. Kirby can decide whether King Kong is part of the English language or whether it can serve as a trademark, because that is something only the public can decide, and what counts more in this case is what the public believes when it buys that game and to the extent possible one can determine what the public believes when it plays that game as to the source, origin, sponsorship of that game.

- 6 Nintendo overreaches elsewhere in its brief. For example, it states that Universal licensed Tiger Electronics Toys, Inc. ("Tiger") to produce KING KONG games "well after the marketing of Donkey Kong." (Defts' Br. at 9.) This is wrong. Universal did not become aware of Donkey Kong's existence until April 1982. *See* Universal's Response to Nintendo's First Interrogatories, Interrogatory No. 29. Universal entered into its agreement with Tiger in September 1981. (A1406-07.) Donkey Kong games were first sold in the United States market just two months earlier than that. (A267.) Nintendo also claims that Universal "has been unable to say" that its license to National Electronics & Watch Co. Ltd. has yielded any revenues. (Defts' Br. at 9.) There was no such "inability." Discovery in the action was closed prior to Universal's receipt of any revenues. To date, Universal has received \$10,000 as an advance against royalties under this license.

the issue in this case, and in the points to follow, Universal will urge by way of addressing Nintendo's answering arguments, that it was error for the court below to dismiss its claims on a summary judgment motion.

ARGUMENT

I

UNIVERSAL EFFECTIVELY ACQUIRED TRADEMARK RIGHTS IN KING KONG

A. Universal Succeeded To RKO's Trademark Rights In KING KONG

Universal makes the point in its opening brief (referred to herein as "Pltf's Br." at 17-23) that the court below rejected Universal as the legitimate successor to RKO's KING KONG trademark rights because it (a) misapprehended what trademark law requires in order for "goodwill" to pass in a trademark assignment and (b) overlooked a critical provision of the RKO-Cooper Assignment that showed (even under the most restrictive view of the law) that RKO *had* been ordered to turn over to Cooper all of its then outstanding contracts where the name KING KONG had been licensed for use in the promotion and sale of toys, games, models and other forms of merchandising. (A1295-96.) The contracts (most of which in December 1976 covered the manufacture and sale of products under RKO's supervision but through Paramount Pictures as RKO's sub-licensee) constituted the sum and substance of RKO's KING KONG trademark licensing business.⁷

⁷ Paramount's Richard Zimbert gives the background in an affidavit Universal submitted below, pointing out that Paramount secured the KING KONG merchandising rights in an agreement of April 14, 1976 and subsequently licensed approximately 30 companies to use the KING KONG name and character as trademarks through the advertising and sale of games, toys, articles of apparel, film cartridges, ceramics, school supplies and dolls. (A1680.)

How does Nintendo answer the assignment issue in its brief? It obviously cannot say that Judge Sweet considered—but rejected—the RKO assignment of merchandising contracts as evidence of goodwill; the court below gives no indication in its opinion that it did either. Hence Nintendo must come up with an alternative explanation—and it does. It dismisses the provision covering the transfer of merchandising agreements as simply a way in which the California court was insuring that Cooper was to receive monies owed him under the terms of his father's 1932 contract with RKO. (Defts' Br. at 19.) This is not a compelling answer considering that the terms of the Cooper Judgment also made RKO a constructive trustee (for Cooper's benefit) of *all* of the rights in and to the character, name and story KING KONG (A1293) and all past revenues. Moreover, it is undisputed fact in *this* case that *all* of the parties that once had an interest in exploiting the KING KONG name in the sale of goods testified (at deposition or in affidavits) below that Universal (a) succeeded to RKO's rights (through Cooper) and (b) was entitled to exploit the goodwill in the KING KONG name and gorilla character as a trademark for merchandise and services. (A347, A1660-62, A1681-82.)

Nintendo makes a valid point when it argues (Defts' Br. at 20) that the Cooper Judgment and Cooper's subsequent assignment to Universal do not refer to trademark rights or "goodwill." Had the documents done so, Nintendo would have no argument on this point at all. But as Universal notes in its opening brief, both documents (the Cooper Judgment and subsequent Cooper assignment to Universal) explicitly recite that they are conveying "*all* rights in the KING KONG name and character." Universal would note here that the word "*all*" would perforce cover the trademark rights. As a matter of law what is important in judging whether RKO's goodwill in the KING KONG name passed along with its rights in the name is whether the KING KONG mark continued to be associated with the same or closely similar products. Continuity of use is the key to this issue and Universal met the test when it commenced its own KING KONG licensing program upon the

expiration of the then outstanding RKO-Paramount agreements.⁸

B. Cooper's Transfer To Universal Was Valid

Universal has already pointed out (Pltf's Br. at 11 n.15) that the mechanics by which Universal secured the KING KONG trademark rights conveyed to Cooper under the RKO-Cooper Judgment were relatively simple. Cooper signed an agreement with Universal several days after the court's Judgment, assigning to Universal all of the rights to which he had succeeded under that Judgment. Universal also noted in its main brief that as a matter of law this was quite proper, pointing out that whether Cooper was an intermediary in the chain of title had no legal significance one way or the other. It is not clear from its brief whether Nintendo agrees; but the district court certainly did not question the point and the terms of Cooper's assignment to Universal leave no room for debate: except for book publishing rights Cooper *was* immediately transferring all of his rights in KING KONG to Universal.

The point on Cooper's status as an intermediary is relevant to this reply because Nintendo offers an argument (Defts' Br. at 23-24) that seems to be urging this Court to hold that because Cooper did not control RKO's KING KONG licensing activities the trademark rights in KING KONG have been abandoned. The argument is pointless and effectively begs the

⁸ Nintendo claims (Defts' Br. at 22) that Universal "was under an obligation to assume control" of the Paramount licensing agreements relating to the 1976 "King Kong" remake. It cites *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959), as authority for this proposition. The case really has nothing to do with the obligation of a trademark transferee to assume control of outstanding licenses. It *does* make the point, as do dozens of other cases, that a trademark licensing program requires the trademark owner to exercise "control" over the use of its mark on licensed products. The licenses to which Nintendo was referring were granted by RKO (through Paramount) and were under RKO's control. When they expired, which in most cases was prior to December 1979 (A1680), Universal *did* take over the KING KONG merchandising business.

issue. No one in these or any other proceedings has *ever* claimed that Cooper controlled or was under an obligation to control RKO's KING KONG trademark licensing activities in the four decades spanning 1932 through 1976.⁹ The anomaly with which the California court had to contend in resolving Cooper's cross-claim against RKO—and the dilemma that cross-claim posed to the court in fashioning a remedy—arose from the fact that RKO had been exercising trademark rights in the name KING KONG apparently without having the contractual authority to do so, for forty years, this because RKO's original contract with Cooper's father in 1932 had not granted trademark rights.¹⁰ No one (except possibly Nintendo) thinks that Cooper “had a duty” to control RKO's licensing for the obvious reason that until Judge Real held (in 1976) that Cooper owned all rights in the KING KONG name, there was no occasion for Cooper to control anyone's KING KONG licensing programs. It is also difficult to see the point Nintendo is attempting to make when it argues as a principle of law that “[w]hen an owner purports to license the right to use his mark without controlling the nature and quality of the goods . . . the mark loses its significance as a symbol of the licensor's goodwill and the mark is deemed abandoned.” (Defts' Br. at 23.) This is true. But again, Cooper never “purported” to license RKO to use the KING KONG trademark. RKO did this on its own and was never challenged until Cooper made his cross-claim in 1976. Nintendo should not have made this argument.

9 In making the argument, Nintendo overlooks the legal rules holding that one acquires a trademark in a name or symbol through *use*. RKO established trademark rights in KING KONG through continuous use over forty years.

10 Contrary to Nintendo's contention, Universal has not “acknowledged” that the Cooper Judgment was entered into “*simply* to remedy a breach of contract.” (Defts' Br. at 19, emphasis added.) Universal has enumerated the *three-fold* purpose of the Judgment. (Pltf's Br. at 10.)

C. The Cooper Judgment Effectively Transferred RKO's Goodwill In The KING KONG Trademark

In its opening point on the "trademark rights" issue (Defts' Br. at 17) Nintendo repeats an argument it made below which the district court rejected because the argument proceeded from a false legal premise. Nintendo observes that the Judgment granting Cooper all of RKO's rights in the name, character and story KING KONG was handed down concurrently (a) with the Judgment on Universal's copyright claim declaring that the story KING KONG was in the public domain¹¹ and (b) the finding on RKO's counterclaim that "[t]here is no evidence that the title 'King Kong' has a secondary meaning by which the public identifies such title with RKO or the Motion Picture." (A1214.) Notwithstanding the "all rights" language of the Cooper Judgment, Nintendo reads the findings on the RKO cross-claim as showing that the California court did not intend to convey RKO's trademark rights in KING KONG on to Cooper. But this runs contrary to the express language of the Judgment. The provision granting Cooper rights in the name KING KONG does say "all rights" (A1218) and this would have to include whatever trademark rights RKO had developed for the name through its merchandising licenses.

Nintendo also overstates its argument when it claims (Defts' Br. at 17) that the California court "found that the KING KONG property had become unprotectible." There was, of course, no such finding. Nor was there a Judgment declaring (as Nintendo puts it) "that KING KONG could not be a trademark." What the court *did* find and what was subsequently vacated by the settlement between RKO and Universal while RKO's appeal was pending before the Court of Appeals

¹¹ The district court correctly reasoned "[t]he only holding of the Cooper Judgment that might be relevant to Universal's current suit is the Court's finding of fact that the King Kong story was in the public domain. However, although this finding is relevant to whether a work has been copyrighted it is not dispositive of the trademark issue." (A172.)

for the Ninth Circuit was that "Universal has not diluted or disparaged the value of the name, title or character 'King Kong' and has not diluted or disparaged any claimed rights of RKO herein." (A1216.) This was followed, as Universal has already pointed out, by findings reciting how no evidence was offered (by RKO) showing that the title KING KONG had acquired secondary meaning denoting RKO as the source of the 1933 picture and by the finding that KING KONG had become part of the ordinary English language. All of these findings were vacated. They were also rejected by the court below as a basis for Nintendo's collateral estoppel defense and should be rejected in the context in which Nintendo reargues them here.

D. Universal Has Valid Trademark Rights In KING KONG By Virtue Of Its Use Of The Mark Since 1980

Nintendo argues in a lengthy footnote (Defts' Br. at 22 n.8) that Universal, by citing its own current and planned uses of KING KONG as a trademark, is making a "first use after abandonment" argument that was not put to the court below. This is misleading. Universal recited how it was licensing the KING KONG mark in its brief below and only made the point (in its opening brief here (Pltf's Br. at 22)) that *if* the lower court was right in holding that RKO's transfer of rights in the KING KONG name to Cooper did not convey the goodwill of RKO's KING KONG merchandising business, the logic of the lower court's conclusion means that RKO "abandoned" the trademark as of 1976. Universal maintains on this appeal that Judge Sweet *was* wrong in treating the RKO-Cooper conveyance as an assignment in gross; RKO's "goodwill" in its KING KONG licensing business was transferred. But Universal also pointed to the nature and extent of its own KING KONG trademark uses below and ought not to be precluded under these circumstances from responding to the implications of the district court's holding on this issue. *See Schwimmer v. Sony Corp. of America*, 637 F.2d 41, 49 (2d Cir. 1980), where this Court accepted that evidence raises an argument by implica-

tion. Moreover, Nintendo is wrong as a matter of law when it claims that Universal's present KING KONG merchandising licenses are insufficient to give it a valid claim for trademark rights. Universal is making *bona fide* use of the KING KONG name in a variety of ways (Pltf's Br. at 12-13) and has current projects under development to use the KING KONG name in which it has expended substantial sums of money.¹²

II

WHETHER KING KONG DENOTES A SINGLE SOURCE OF ORIGIN IS A QUESTION OF FACT

The showing Universal is required to make in order to establish that the name and character KING KONG have secondary meaning is proof that the public associates these symbols with the "King Kong" motion pictures. *Warner Bros. Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 333-34 (2d Cir. 1983); *Processed Plastic Co. v. Warner Communciations, Inc.*, 675 F.2d 852, 856 (7th Cir. 1982). Nintendo apparently concedes this as a point of law. (Defts' Br. at 32 n.12.)

In the court below, Universal made this showing. The district court acknowledged that the public does associate the name and character KING KONG with the "King Kong" motion pictures, stating that "[t]he 1933 movie has become an American classic, and the parties agree that its scenes . . . are

¹² The cases Nintendo relies on to support its assertion that Universal's efforts are a "meager trickle" are inapposite. In *La Societe Anonyme des Parfums LeGalion v. Jean Patou, Inc.*, 495 F.2d 1265 (2d Cir. 1974) and *Stern Electronics, Inc. v. Kaufman*, 669 F.2d 852 (2d Cir. 1982), this Court found that the alleged "uses" were not *bona fide*; in *CBS, Inc. v. Logical Games*, 719 F.2d 1237 (4th Cir. 1983), the use involved a *de minimis* importation and sale by defendant of plaintiff's games, for which defendant, of course, could not claim any originating responsibility. In *DC Comics, Inc. v. Powers*, 482 F. Supp. 494 (S.D.N.Y. 1979), the court found a specific intent to abandon the mark where defendant let its trademark registration lapse. None of these circumstances are present in this action.

recognized by the American public" (A163). Nintendo also acknowledges this as fact, noting that KING KONG is "a widely known name of a classic movie" and "the name of a famous character in the movie" (Defts' Br. at 15.) See also *Paramount Pictures Corp. v. Worldwide Entertainment Corp.*, 195 U.S.P.Q. 539 (S.D.N.Y. 1977). Thus, at the very least, a factual issue was raised with respect to whether secondary meaning in KING KONG exists, precluding summary judgment. *DC Comics Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 26-27 (2d Cir. 1982); *American International Group, Inc. v. London American International Corp.*, 664 F.2d 348, 352 (2d Cir. 1981).¹³

Nintendo's arguments regarding the "competing property interests" in KING KONG also miss the point. The record here established that Universal has the exclusive and unquestioned right to use the name KING KONG (whether alone or in conjunction with the image of a large gorilla on top of a skyscraper) for the sale of products and services. (A437, A1681-82.) Despite what RKO and DDLC testified to at deposition or in affidavits, Judge Sweet (A168, A183) at Nintendo's urging (Defts' Br. at 27-28) cites a few instances where potential KING KONG licensees contacted more than one company to discuss a license to use KING KONG and

13 This case is substantially different from those relied on by Nintendo (Defts' Br. at 24), where on *undisputed* facts it was clear that the marks could not designate a single source of origin. For example, in *Nestle Co. v. Chester's Market Inc.*, 571 F. Supp. 763 (D. Conn. 1983), the court found the mark generic, a claim which Judge Sweet rejected below and which defendants do not make on this appeal. In *Saratoga Vichy Spring Co. v. Lehman*, 491 F. Supp. 141 (N.D.N.Y. 1979), *aff'd*, 625 F.2d 1037 (2d Cir. 1980), the mark was a geographic term, and this Court noted that plaintiff's claim regarding secondary meaning "is the sort of factual issue that normally precludes summary judgment." *Id.* at 1043. Finally, the district court in *Superior Models, Inc. v. Tolkien Enterprises, Inc.*, 211 U.S.P.Q. 587 (D. Del. 1981), obviously misconstrued the principles of law for establishing secondary meaning, holding that a plaintiff must show *confusion* between plaintiff's and defendant's works to demonstrate secondary meaning.

concluded from this that there were "multiple" trademark rights holders. Incidents where a potential licensee speaks to different companies or subsidiaries or affiliates of the same company before locating the proper entity with which to deal on a license are not as novel as Judge Sweet and Nintendo make them out to be. In *Warner Bros. Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231 (2d Cir. 1983), for example, one of the plaintiffs held the copyright in the motion picture ("Superman"), another plaintiff held the copyright in the print works (Superman comics) and still a third plaintiff was a corporate affiliate of the other two. The fact that there were multiple rights holders did not defeat the trademark claims and had no bearing on the issue of secondary meaning.¹⁴

Finally, with respect to the alleged third party uses of KING KONG that Nintendo offered below, Nintendo acknowledges that such "evidence" was insufficient to establish that KING KONG lacked secondary meaning. (Defts' Br. at 29.)¹⁵ It had to, since the law holds that such "evidence" cannot establish lack of secondary meaning where Nintendo "introduced no evidence that these [']trademarks['] were actually used by third parties, that they were well promoted or that they were recognized by consumers." *Scarves by Vera, Inc. v. Todo Imports Ltd.*, 544 F.2d 1167, 1173 (2d Cir. 1976). In the absence of evidence showing that KING KONG had been weakened as a trademark by actual use of similar marks by third parties, it

¹⁴ Nintendo distorts the record regarding how requests for using KING KONG are treated at RKO and Universal. (Defts' Br. at 27-28.) RKO readily acknowledges Universal's right to use the KING KONG name and character for merchandising purposes. (A437.) That subordinates at RKO or Universal fail to carry out the arrangement should not be deemed "proof" of any fact upon which a court may base a summary judgment grant.

¹⁵ Notwithstanding the fact that Nintendo describes its proffer as "uncontested evidence of third party use" (Defts' Br. at 29), Universal does not concede that Nintendo's affidavits establish current third party trademark uses of KING KONG. (Pltf's Br. at 28.) This is a factual issue which cannot be cited to support any of the bases upon which Judge Sweet granted summary judgment.

was error for Judge Sweet to accept Nintendo's affidavits (DX-2 and DX-3) and resolve the secondary meaning issue against Universal. *Compare Scarves by Vera, Inc. v. Todo Imports Ltd.*, 544 F.2d at 1174, with *Lever Brothers Co. v. American Bakeries Co.*, 693 F.2d 251, 256-57 (2d Cir. 1982).¹⁶

III

ISSUES OF MATERIAL FACT EXIST AS TO WHETHER DONKEY KONG IS CONFUSINGLY SIMILAR TO KING KONG

The court below reached the conclusion it did on the confusion issue by comparing the Donkey Kong ape with the KING KONG gorilla and then making the subjective judgment that

¹⁶ Nintendo insists that KING KONG is a "term without trademark significance" because "[i]t is a widely known name of a classic movie; it is the name of a famous character in the movie; it is a commonplace metaphor in the English language; and it is a frequent literary allusion." (Defts' Br. at 15.) The fact that KING KONG is the name of a motion picture and a character in that picture does not diminish its ability to function as a trademark, just as these same "facts" do not diminish the value of "E.T." as a trademark. See *Universal City Studios, Inc. v. J.A.R. Sales, Inc.*, 216 U.S.P.Q. 679 (C.D. Cal. 1982); *Universal City Studios, Inc. v. Kamar Industries, Inc.*, 217 U.S.P.Q. 1162 (S.D. Tex. 1982); cf. *Warner Bros. Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d 231 (2d Cir. 1983) (Superman, *inter alia*, the title of a motion picture and a character in that picture, could serve as a trademark).

The same is true regarding Nintendo's claim that KING KONG is used as a metaphor or literary allusion. Mickey Mouse has been licensed for use on over 50,000 products (A1617-19), and its value as a trademark is beyond dispute. Nonetheless, Mickey Mouse is defined in *Webster's New Collegiate Dictionary* as "lacking importance: INSIGNIFICANT, PETTY" (A1624) and in the *Random House Dictionary of the English Language* as "cute and commercially slick in character." (A1629.) Even Nintendo's Donkey Kong has been used as an adjective to describe Democrats who support high technology industries located in the United States (A1633, A1635). The name Donkey Kong has also been suggested as a nickname for the Democratic National Committee. (A1637.)

the public would not be confused about the connection. This was improper on a summary judgment motion. The fact that the Donkey Kong video arcade game uses a confusingly similar name,¹⁷ a similar character depicted in a similar manner, and that these derived from the KING KONG story, is pertinent with respect to the total commercial impression that the Donkey Kong game makes on the public. See *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d at 856 n.5; see also *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 955 (2d Cir. 1980). Plainly, it was the district court, not Universal, as Nintendo insists in its brief (Defts' Br. at 35 n. 17), that isolated *one* element of Universal's trademark to the exclusion of all others.

Nintendo says in its brief (Defts' Br. at 33) that this was not so, noting that the court viewed relevant segments of the "King Kong" films, watched as a player demonstrated how Donkey Kong was played and looked at photographs. All this is true. But the court certainly put the stress in its decision on the appearance and behavioral characteristics of the KING KONG and Donkey Kong gorillas, to the exclusion of other similarities—most notably the two names¹⁸—and Universal's point

17 Nintendo's attempt to explain Mr. Arakawa's admission that KING KONG and Donkey Kong are confusingly similar names (Defts' Br. at 39-40) is not compelling. Obviously, the names are similar and Nintendo cannot avoid the fact that in a prior proceeding Mr. Arakawa swore under oath that the two names *were* confusingly similar.

18 Nintendo argues that "stylistic" differences in the presentation of the two names distinguish them. (Defts' Br. at 34 n.15.) But the words DONKEY KONG, in a straightforward and unstylized fashion, appear repeatedly on the game screen when it is in the "attract mode." See *Midway Manufacturing Co. v. Dirkschneider*, 543 F. Supp. 466, 473, (D. Neb. 1981). Nintendo also stresses the fact that its name is displayed on Donkey Kong games. (Defts' Br. at 12, 15.) The fact that an infringer identifies itself as the manufacturer of its infringing products does not dispel the likelihood of confusion. *W. E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 662 (2d Cir. 1970); *Universal City Studios, Inc. v. Kamar Industries, Inc.*, 217 U.S.P.Q. 1162 (S.D. Tex. 1982). Indeed where a "house name" is used "a purchaser could well

(footnote continued)

here is that in doing so it was resolving fact issues without benefit of a full record.¹⁹

Of course, the court below *did* apply the factors set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). But this makes Universal's point: a "district court's determination of each of the *Polaroid* factors is a finding of fact . . .," *Plus Products v. Plus Discount Foods, Inc.*, 722 F.2d 999, 1004 (2d Cir. 1983), and it was inconsistent with the posture of this case on a summary judgment motion for Judge Sweet to resolve those issues against Universal. Nintendo does not address this point at all.

Similarly, Nintendo's arguments about Universal's survey evidence (Defts' Br. at 37-38) go to its weight, not its admissibility, *see E.I. duPont de Nemours & Co. v. Yoshida International, Inc.*, 393 F. Supp. 502, 518 (E.D.N.Y. 1975), and a trial court is plainly not entitled to weigh the evidence on a summary judgment motion. Indeed, none of the cases Nintendo

think plaintiff had licensed defendant as a second user and the addition is thus 'an aggravation, and not a justification.' " *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir. 1972) (quoting *Menendez v. Holt*, 128 U.S. 514, 521 (1888)). Universal's survey establishes that some purchasers of Donkey Kong games actually made such an assumption.

¹⁹ Judge Sweet obviously did find similarities between KING KONG and Donkey Kong because he said Donkey Kong could be considered a parody of KING KONG. (A187.) By definition, a parody is substantially similar to the work it parodies. *See* 17 U.S.C. § 107 and H.R. Rep. No. 94-1476, 94th Cong. 2d Sess. (1976). Nintendo is wrong in arguing that parodies are *rarely* confusing uses (Defts' Br. at 36 n.18), and the cases on which it relies for this statement do not support it. *Girl Scouts of the United States of America v. Personality Posters Manufacturing Co.*, 304 F. Supp. 1228 (S.D.N.Y. 1969), cannot be considered valid in light of this Court's determination in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 n.9 (2d Cir. 1979). The court in *Tetley, Inc. v. Topps Chewing Gum, Inc.*, 556 F. Supp. 785 (E.D.N.Y. 1983), recognized and discussed a variety of cases where parodies constituted confusing uses.

cites as showing procedural defects in survey taking—improper universe, lack of market conditions, use of leading questions (Defts' Br. at 37-38)—arose in a summary judgment context. All involved either preliminary injunction hearings or trials. Moreover, the holding on survey evidence Nintendo refers to in *Warner Bros. Inc. v. American Broadcasting Companies, Inc.*, 720 F.2d at 246, is inapposite because that survey only demonstrated a generalized linkage between the two marks at issue. Universal's survey established, and the *district court below so held*, that "[e]ighteen percent of the survey audience said they believed that Donkey Kong had been sponsored or authorized by the King Kong motion picture makers." (A171.)

With respect to the matter of what video game commentators have said about KING KONG and Donkey Kong, the *connection* to which Universal referred was probative of a likelihood of confusion. (Defts' Br. at 39.) This Court stated in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d at 205, that a Lanham Act violation is established where a plaintiff demonstrates "that the public may associate it [a uniform] with defendants' movie and be confused into believing that plaintiff sponsored the movie, provided some of the actors, licensed defendants to use the uniform, or was in some other way *connected* with the production." (Emphasis added.)

Finally, Nintendo argues that its "good faith" in adopting the name "Donkey Kong" is not an issue in this case. Of course, in making that argument, Nintendo is in effect resolving the issue. In point of fact, the Nintendo employees who created Donkey Kong *did* identify the gorilla as KING KONG, and the game wound up being sold under a variation of that name.²⁰ This is more than using KING KONG as a "point of

20 Notwithstanding Nintendo's present disavowal (Defts' Br. at 40 n.19), Nintendo's counsel acknowledged that Nintendo intended its character to be KING KONG. In response to the following question by Judge Sweet: "But whatever it is, it is clear that your client used it,

(footnote continued)

reference" as Nintendo urges by citing *United Artists Corp. v. Ford Motor Co.*, 483 F. Supp. 89 (S.D.N.Y. 1980). Nintendo attempts to downplay this issue, presumably because it recognizes that if there is an issue of fact here it was plainly wrong for the lower court to resolve it on a summary judgment motion. But to do so it forces the argument. Thus, in its brief: "there is not one shred of evidence which suggests that defendants sought to trade" on KING KONG. (Defts' Br. at 40.) The facts which cannot be contested show that Nintendo had KING KONG in mind when it was developing the game, that it first called its ape KING KONG and ultimately named the game DONKEY KONG. This was more than a "shred" of evidence suggesting intent to capitalize on the value of a well known trade symbol.²¹

Nintendo's position in this case is not much different than the defendant's in *Wyatt Earp Enterprises, Inc. v. Sackman, Inc.*, 157 F. Supp. 621 (S.D.N.Y. 1958). Sackman admittedly used the Wyatt Earp character that was being promoted by plaintiff. It ignored the fact that the plaintiff had exploited the character because it believed the character's existence as a "real person" permitted anyone to use the mark despite the fact that its commercial value was "attributable almost entirely to [plaintiff's exploitation]." *Id.* at 625. The fact that Sackman was mistaken did not preclude entry of a temporary injunction prohibiting it from using the Wyatt Earp mark. Analogously,

isn't it? He referred to King Kong and the Kong with a gorilla has got to be King Kong, doesn't it? Leaving for the moment whatever rights Universal may have, that was the reference, was it not?" Nintendo's counsel replied: "... yes, the ones that were primarily responsible for developing the game did use as a working title after changing it from Bluto and they made a gorilla—they did refer to it as Kong There is no doubt . . . it would be unbelievable to argue . . . that they didn't have somewhere in the back of their mind Kong." (A73-74.)

21 Nintendo claims (Defts' Br. at 42) that "Universal does not dispute defendants' understanding that the word 'Kong' generally denotes a gorilla" This is wrong. Universal not only disputes the proposition (A122-23), it believes it to be patently without basis.

the allegedly mistaken belief by Nintendo's Japanese creators that KONG is a universal word for gorilla, and that this gave them the right to use KING KONG in their game and call the product "Donkey Kong," even if accepted as fact, is not a consideration Nintendo has a right to turn in its favor in this case.

A. Answering Nintendo's Arguments On The Covenants Not To Sue

A brief statement is in order replying to Nintendo's argument that the court below had a separate basis for granting summary judgment against Universal because Universal agreed not to sue three of Nintendo's Donkey Kong licensees. (Defts' Br. at 44-46.) To begin with, Universal submitted deposition testimony by its chief executive officer that it settled its claims against Coleco and Atari over Donkey Kong in recognition that settlements were often preferable to litigation. This was in response to the affidavits Nintendo offered from executives of those companies which explained their respective²² willingness to settle with Universal as a matter of business priorities rather than an assessment by either of the merits of Universal's claim.²³

22 In response to a Nintendo interrogatory asking for the identity of "all licensees" of the KING KONG name, Universal included in its listing the agreements it had reached with Coleco and Atari. (A205, A214.) Universal's Robert Hadl made the point that since the agreements *did* provide for the payment of royalties they could be called licenses. (A379.) When one reads either agreement, however, it is plain that what Universal was granting in exchange for those royalties was *forebearance* from bringing suit for infringement. (A654-57.) Hence there is not much point to the argument Nintendo makes (Defts' Br. at 44) that the agreements did not contain provisions for "control" of Coleco's or Atari's manufacturing or marketing operations or that the Coleco or Atari Donkey Kong games did not have Universal's name on them.

23 Nintendo says that Universal had a "burden" to come forward with "counter-affidavits" on this subject, apparently forgetting that the deposition testimony Universal placed before the district court (A585-86) and which it discussed in its brief below (at pages 49-50) satisfied Universal's "burden" under Fed. R. Civ. P. 56(e).

The district court did not view these agreements as dispositive of the case one way or the other. But it obviously did resolve a fact issue against Universal when it cited the agreements as evidence reflecting a subjective belief on Universal's part that Donkey Kong was not confusingly similar with KING KONG. Nintendo takes this further. It says (Defts' Br. at 45) that the agreements constitute an "abandonment" by Universal of its trademark. This is something of a *non-sequitur*. Universal continued to press its claims against Nintendo, and there was evidence before the lower court that supported Universal's claims. What is most important, defendants are wrong on the law. The leading case is *T & T Manufacturing Co. v. A.T. Cross Co.*, 449 F. Supp. 813 (D.R.I.), *aff'd*, 587 F.2d 533 (1st Cir. 1978), which Universal cited in its opening brief (at 36). Said the court with respect to settlements of trademark disputes:

The Court must also add into this balance the interest in encouraging extra-judicial settlement of trademark litigation. Insisting that a court review a settlement to assure that no public confusion will result would make such agreements of little value to parties. Parties would sensibly conclude that they might better litigate the issue of confusion to conclusion rather than reach a settlement which might later be found to be unenforceable. Such a premium on litigation would lead to a further drain on judicial resources.

449 F. Supp. at 827.

IV

UNIVERSAL'S COMMON LAW UNFAIR COMPETITION AND STATUTORY DILUTION CLAIMS WERE IMPROPERLY DISMISSED

Nintendo implicitly concedes that if Judge Sweet erred in granting summary judgment on Universal's Lanham Act claim, his dismissal of Universal's common law unfair com-

petition and statutory dilution claims was improper. Moreover, Nintendo cannot justify Judge Sweet's *unexplained* dismissal of Universal's common law claims and it misstates the New York dilution standard. Contrary to Nintendo's assertion (Defts' Br. at 43), the court's decision in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 42 N.Y.2d 538, 546, 399 N.Y.S.2d 628, 633, 369 N.E.2d 1162, 1166 (1977), does hold that a mark with secondary meaning is sufficiently strong to be afforded protection under New York's dilution statute. KING KONG does have secondary meaning, and Donkey Kong is likely to dilute the KING KONG mark.

V

UNIVERSAL IS NOT JUDICIALLY ESTOPPED FROM SUING OVER DONKEY KONG

The district court correctly rejected Nintendo's argument below that Universal was precluded from asserting trademark rights in KING KONG by the doctrine of judicial estoppel. Contrary to Nintendo's assertion that the "district court did not realize that judicial estoppel can be applied in circumstances where the requirements for collateral estoppel are not met" (Defts' Br. at 48), Judge Sweet specifically noted that "a settlement does not provide the prior success necessary for judicial estoppel" (A175, *quoting Konstantinidis v. Chen*, 626 F.2d 933, 939 (D.C. Cir. 1980).) Acknowledging that "Universal's dispute with RKO was settled," Judge Sweet then held: "[f]or this reason, the doctrine of judicial estoppel does not apply to this dispute." (A175.) Defendants completely ignore this holding. The doctrine of judicial estoppel is not available as an alternative ground for affirming the district court's grant of summary judgment.

CONCLUSION

For the foregoing reasons, and for the reasons set forth in Universal's main brief, the district court's grant of summary judgment dismissing Universal's complaint should be reversed.

Respectfully submitted,

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